

10 January 1972

Economic and Military Reconstruction
in North Vietnam

This periodic report reviews economic developments within North Vietnam, including the receipt of economic and military aid and the construction of military facilities. These developments are selected on the basis of their relevance to North Vietnam's ability to continue supporting the war in Indochina and to restore the economy, and thus to their possible effect on the country's desire or need to negotiate a settlement of the current conflict.

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Reassessment of Flood Damage

1. A more definitive estimate of the August 1971 flood damage [REDACTED]

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Some conclusions are unchanged from the initial assessment: there was little loss of life; the Regime coped effectively with health hazards; main transportation arteries were largely restored to service by the end of September; industrial installations suffered little physical damage, although there was a general shutdown of industry for 2 to 4 weeks from indirect causes such as power outages and transportation bottlenecks. Military units assigned to emergency flood duty apparently were released after September and there is no evidence that the floods had an adverse effect on military capabilities.

2. Flooding destroyed 35% to 45% of the November rice crop, which accounts for two-thirds of annual rice production, and caused widespread damage to dikes and irrigation systems. Total rice production for the year is down by 20% compared to 1970, and is the lowest since the Communists came to power in 1954. As the next major harvest will not take place until the spring of 1972, maintenance of present food rations may necessitate the import of as much as 900,000 tons of food during the next six months. In view of the pervasive damage to dikes and irrigation facilities, which are essential to successful crop cultivation during the November-June dry season, and Hanoi's obvious concern over the slow progress in rehabilitating them, output from the 1972 spring crop is likely to be diminished.

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3. Hanoi's options would seem to be limited at this time. Present food rations are already near a subsistence level so that further belt-tightening will have to be modest. State food reserves may amount to as much as six month's supply but the government probably would be reluctant to draw heavily on this source for strategic considerations. Perhaps a combination of these two alternatives will be chosen to reduce import requirements. Nevertheless, a substantial increase in food imports seems mandatory and was beginning to show up before the end of 1971. The average monthly import of food during January-October was about 45,000 tons compared to 75,000 tons during November-December. In late December, China made an open-ended offer to supply North Vietnam with wheat imported from Canada.

4. Aggregate economic output in 1971 also declined significantly from the flood's impact. Industrial and handicraft production was claimed to have increased by 14% over 1970 and is estimated to be a few percentage points short of the 1965 peak. Output of industry probably would have been higher except for the two to four weeks of down-time caused by the floods, long enough to account for a loss of 5% to 10% in production forgone. Coupled with the loss in agricultural output, which makes up about one-half of GNP, total product of the economy dropped to roughly 90% of the 1970 level, or to only 80% of the 1965 peak.

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Military and Economic Assistance

5. Hanoi's military effort continues to receive the support of Communist allies enabling North Vietnam to replace losses, to improve its air defense capability in order to protect the logistic system in Laos, and to respond more effectively to US protective reaction strikes. As shown in the following tabulation, military aid in 1971 tentatively is estimated to have increased, reversing the downward trend of the previous three years.

	<u>Million US Dollars</u>				
	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971 a/</u>
Total	<u>650</u>	<u>390</u>	<u>225</u>	<u>155</u>	<u>180</u>
USSR	505	290	120	70	100
China	145	100	105	85	80
a. Preliminary					

The higher level of military assistance in 1971 resulted primarily from increased deliveries of SAM battalions and related equipment. Deliveries of other antiaircraft weapons, ground force equipment, and ammunition were made to replenish supplies lost or expended during Lam Son 719.

6. Unusually strong support for Hanoi's policies has been demonstrated by other Communist countries in the past few months. High level Chinese and Soviet delegations traveled to Hanoi last September and October to sign the annual aid agreements for 1972.

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Although the signing of aid agreements with the East European countries has been slow, the delays have apparently been caused by the time-consuming arrangements for high level delegations traveling to Hanoi, as well as by more detailed planning of aid packages. The Vice Minister of Foreign Trade, Nguyen Ba Duc, has been in Eastern Europe since October, apparently completing preliminary negotiations and preparations for these visits. Delegations from Bulgaria and East Germany traveled to North Vietnam in December to sign annual agreements for economic and military aid, and trade and payments agreements for 1972. Delegations from Czechoslovakia, Hungary, and Poland are scheduled to arrive in early 1972. Contrarily, Romania reportedly invited the North Vietnamese to Bucharest for conclusion of the 1972 agreements, but no decision had been reported by early January.

7. In December both China and the USSR reaffirmed their support of Hanoi. On 5 December, China signed the customary trade and payments agreement for 1972 and two protocols on the supply of "general goods" and "complete projects", in accordance with the September agreement on Chinese economic and military aid. Similarly the USSR on 29 December announced the signing of an agreement on supplementary military aid for 1972, probably specifying the particulars of the agreement signed in October.

Military Conscription

8. North Vietnam called up a substantial number of men for military service during 1971 -- on the order of 150,000 --

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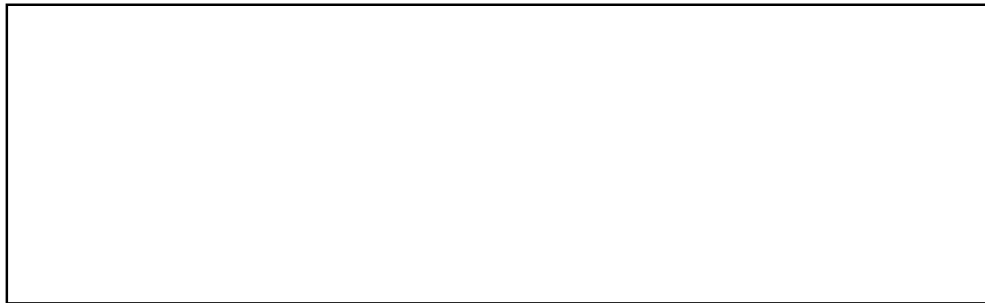
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about the same number as in 1970. The first wave of recruiting occurred in the winter, keyed to an "appeal" of the Government on 10 December 1970 for increased preparedness following US air attacks in support of the Son Tay raid in late November. Newspaper and radio broadcasts claimed as usual that large numbers had "volunteered" for military service. The volume of articles tapered off in mid-January but then rose again in late March, and continued at a substantial level through May. In mid-June, Politburo member Truong Chinh made reference in a speech to military recruitment plans for the second half of 1971, and there is evidence in the press of another upswing in recruiting during the summer. [REDACTED]

9. Recent articles in the press indicate that the first phase of the 1972 conscription program is now underway. In early December an unusually intensive propaganda campaign in support of recruitment was conducted in the army newspaper, and on 19 December the Minister of Defense Giap spoke at a rally in Hanoi in honor of youths who were about to enter the service. Most of the men inducted in the early part of the year could be trained and fed into the infiltration pipeline before the end of the current dry season. [REDACTED]

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10. Plans evidently have also been made for subsequent troop recruitment drives in 1972. Hanoi City officials reportedly discussed the "national mobilization schedule" for 1972 at a meeting in November, and a follow-up editorial in December urged that adequate preparations be made for the "1972 recruiting phases." Most of those drafted in the spring and summer probably would be earmarked for infiltration during the 1972-73 dry season.

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Next 2 Page(s) In Document Exempt

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foodstuffs in the first part of 1972 although Hanoi may decide to offset part of the shortfall in production by a combination of belt-tightening and withdrawals from state reserves. Moreover, there are indications that repair of damage to water control facilities may be too slow to prevent adverse effects on the 1972 spring harvest. In such an event, sustained high levels of food imports may be necessary throughout the year.

17. The Communist allies continue to underwrite Hanoi's military and economic needs. Increased shipment of military hardware during 1971 not only made up for the Lam Son 719 losses, but significantly improved the country's air defense capabilities. The public prominence accorded high level delegations traveling to Hanoi in recent months seems to demonstrate strong economic and military support again in 1972.

18. Military recruiting drives during the past year resulted in about the same call-up of men as in 1970, and an intensive propaganda drive in December kicked off the 1972 conscription program. Men recruited in the early part of 1972 could be trained and infiltrated before the end of the current dry season, while those recruited in the spring and summer probably will be earmarked for infiltration during the 1972-73 dry season.

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